April 1, 2009

AESO Stakeholders

Dear Stakeholder:

Re: Update on Consultation for AESO 2010 Tariff Application

During February and early March 2009, the AESO met with several parties to discuss the AESO’s 2010 general tariff application (“GTA”) which we expect to file in the third quarter of 2009. An update on the consultation process is provided below, with an invitation for you to attend a meeting on the afternoon of Wednesday, April 15, 2009 in Calgary for further discussion of the 2010 tariff.

In the consultation letter posted on the AESO’s website on February 5, 2009, the AESO outlined its initial consultation process and attached a preliminary list of potential matters to be addressed in its 2010 GTA. The AESO has updated that list based on further review of the tariff by the AESO and on comments received from the following parties:

- Alberta Direct Connect Consumers Association (ADC),
- Cities of Lethbridge and Red Deer,
- Dual Use Customers (DUC),
- EnCana Corporation,
- Industrial Power Consumers Association of Alberta (IPCAA),
- Nexen,
- TransCanada Energy, and
- Utilities Consumer Advocate (UCA).

Substantive changes from the list posted on February 5 are indicated by a heavy black line in the right margin. The list is expected to continue to evolve as consultation progresses over the coming months.

As the next step in its consultation, the AESO is holding a general stakeholder meeting to discuss preliminary proposals for its 2010 GTA, as follows:

Date: Wednesday, April 15, 2009
Time: 1:30 – 4:30 PM
Place: Strand/Tivoli Room, Plus 15 Level, The Metropolitan Centre
       333 – 4th Avenue SW, Calgary, Alberta
Refreshments: Coffee, juice, snacks
RSVP: By Monday, April 13, 2009 to April Walters, 403-539-2463 or
      april.walters@aeso.ca

Posted on AESO website
The AESO currently expects to discuss the following topics during the meeting (numbered as in the attached list):

1  **Studies**
   1.1 Preliminary results of the POD cost function update study
   1.2 Scope and methodology for TFO O&M cost causation study

2  **Rates**
   2.1.3 Preliminary proposal for restructuring operating reserve charge in Rate DTS
   2.1.4 Potential changes to power factor deficiency charge in Rate DTS
   2.2 Potential changes to Fort Nelson Demand Transmission Service Rate FTS
   2.4.3 Possibilities for higher priority ("firm") export Rate XTS
   2.8.1 Possibilities for higher priority ("firm") import Rate ITS
   3.2 Potential changes to deferral account Riders B and C

4  **Terms and Conditions**
   4.0.2 Tariff changes in conjunction with the transition of authoritative documents (TOAD) project
   4.1.1 Potential changes to AESO standard facilities definition
   4.5 Potential changes to interconnection process articles
   4.9.2 Preliminary updates to maximum investment levels in AESO contribution policy
   4.9.11 Possibilities for amortized payment option for customer contributions
   4.9.13 Further discussion of staged contributions

The AESO will also discuss the next steps in the consultation process as well as the current plan for filing the application in the third quarter of 2009 and later updating it to include 2010 forecast costs and billing determinants. The AESO notes that this list of topics to be discussed during the meeting is subject to change as work progresses on different items.

The AESO plans to present information on these topics to facilitate discussion, and will post the presentation before the meeting if possible. Following the meeting, the AESO expects to distribute discussion documents and invite additional stakeholder comments.

In its February 5 consultation letter, the AESO contemplated the development of working groups to address specific topics in greater detail. Having reviewed stakeholder comments and the updated list of matters to be addressed in the 2010 GTA, the AESO proposes forming five working groups to review the following matters:

- Fort Nelson Transmission Service Rate FTS,
- export and import rates ETS and ITS,
- deferral account Riders B and C,
- tariff changes in conjunction with TOAD project, and
- amortized payment option and other customer contribution matters.

The AESO will review guidelines for these working groups and invite stakeholders to sign up for participation on them at the end of the consultation meeting.

Stakeholders who are unable to attend this consultation meeting but would like to discuss these matters with the AESO are invited to contact me to arrange a convenient time for such discussion.
As noted in the previous letter, the AESO hopes to complete consultation in June 2009, to allow the application to be filed in the following quarter.

Information related to the tariff consultation process will be available on the AESO’s web site at www.aeso.ca by following the path Tariff ▶ Current Consultation ▶ 2010 Tariff. The AESO appreciates stakeholders’ participation in this consultation.

If you have any comments or questions on this consultation process or the AESO’s tariff application, please contact me at 403-539-2465 or john.martin@aeso.ca, or Raj Sharma at 403-539-2632 or raj.sharma@aeso.ca.

Sincerely,

[original signed by]

John Martin
Director, Tariff Applications

attachment

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO
Raj Sharma, Senior Tariff Analyst, AESO
0 GENERAL INFORMATION

0.1 Planned Consultation Activities
0.1.1 Feb 2009 – individual meetings with stakeholders who were active in the AESO's 2007 GTA
0.1.2 Mar-Apr 2009 – public consultation cycle: discussion paper, meeting, and comments
0.1.3 May-Jun 2009 – public consultation cycle: discussion paper, meeting, and comments
0.1.4 Q3 2009 – filing of application

0.2 Rates Update
0.2.1 The AESO filed its 2009 rates update (Application No. 1604888 and Proceeding ID 177) on March 12, 2009
0.2.2 The AESO proposes to file such annual rates updates in years between tariff applications
0.2.3 Consider more frequent rates updates, perhaps triggered by significant increases arising from TFO tariff approvals
0.2.4 The AESO will include in its 2010 GTA a proposal to update tariff investment levels based on a public inflation index as part of the annual rates updates

0.3 AltaLink Contribution Policy Recommendations
0.3.1 The following recommendations are included in Terms and Conditions sections 4.1 and 4.9:
- Recommendation 1 on contribution policy principles
- Recommendation 5 on operations and maintenance charge
- Recommendation 7 on contribution payment options
0.3.2 Recommendations 2 on standards of service and 3 on system rebuilds are being reviewed as AESO policy decisions rather than tariff matters
0.3.3 Recommendation 4 on automatic escalation of investment levels using an inflation index will be considered as part of annual rates updates
0.3.4 Recommendations 6 on transitions between tariffs and 8 for “load first” treatment of dual-use sites will not be proposed by the AESO

1 STUDIES

1.1 POD Cost Function Update
1.1.1 Add about 20 projects to database
1.1.2 Update inflation rate (using Alberta CPI) to trend costs to 2010
1.1.3 Re-calculate best-fit function with same breakpoints
1.1.4 Preliminary results indicate about 25% increase in cost function

1.2 TFO O&M Cost Causation
1.2.1 Respond to outstanding directions from Decision 2007-106 to study incremental TFO O&M and propose additional cost causation refinements if warranted
1.2.2 Contracted to Arnie Reimer of PS Technologies
1.2.3 Develop study scope and methodology in consultation with stakeholders

1.3 Bill Impact Analysis
1.3.1 Comparison for each POD of monthly bills under proposed rate and current rate
1.3.2 Will not be able to accurately estimate operating reserve charge under proposed rate

2 RATES

2.0 General
2.0.1 Update all rate levels to reflect current costs
2.0.2 2009 forecast costs included in application when filed in mid-2009
2.0.3 Update to 2010 costs when approved by AESO Board in late 2009
2.0.4 Update TFO costs at same time to reflect most recent final or interim TFO tariffs approved by AUC

2.1 Demand Transmission Service (DTS)
2.1.1 Update interconnection POD charge to reflect updated POD cost function
2.1.2 Consider whether ratchet level should be increased, modified, or replaced to more strongly discourage system use above contract capacity
2.1.3 Restructure operating reserve charge to better track costs and minimize deferral account
2.1.4 Assess power factor deficiency charge level and applicability at PODs with distribution-connected generation

2.2 Fort Nelson Demand Transmission Service (FTS)
2.2.1 Revise rate consistent with findings of final Fort Nelson proposal
2.2.2 Revise rate to be consistent with any changes to Rate DTS
2.2.3 Incorporate or replace Interim Rider H

2.3 Demand Opportunity Services (DOS)
2.3.1 Review DOS rates, Ts&Cs Article 10, OPPs, and business practice for integration and consolidation

2.4 Export Services (XOS)
2.4.1 Update XOS rates to reflect current costs
2.4.2 Review allocation of operating reserves to export rates to reflect requirements of new WECC BAL-002 contingency reserve standard
2.4.3 Propose new “firm” XTS rate, if appropriate after consultation

2.5 Demand Under-Frequency Load Shedding Credits (UFLS)
2.5.1 Review UFLS applicability to industrial customers
2.5.2 Consider possible differentiation between customers for defined reasons (such as environmental impacts of load shedding)
2.5.3 Review UFLS rates, Ts&Cs Article 12, and OPPs for integration and consolidation

2.6 Primary Service Credit (PSC)
2.6.1 Update PSC rate to be consistent with any updates to Rate DTS POD Charge
2.6.2 Update PSC proportion of DTS POD Charge as part of POD cost function update study

2.7 Supply Transmission Service (STS)
2.7.1 No material changes contemplated

2.8 Import Service (IOS)
2.8.1 Propose new “firm” ITS rate, if appropriate after consultation

3 RIDERS AND APPENDIX

3.1 Duplication Avoidance Tariff (DAT) Riders A1-A4
3.1.1 No material changes contemplated

3.2 Deferral Account Riders B and C
3.2.1 Revise to better manage deferral accounts, if appropriate after consultation
3.2.2 Revise to more accurately reflect cost basis of underlying components, if appropriate after consultation

3.3 Calibration Factor Rider E
3.3.1 No material changes contemplated

3.4 Balancing Pool Rider F
3.4.1 No material changes contemplated

3.5 Bill Impact Rider G
3.5.1 Expires at end of 2009

3.6 Interim Fort Nelson Rider H
3.6.1 Incorporated into or replaced by Rate FTS

3.7 Appendix: Regulated Generating Units
3.7.1 Incorporate regulated generating unit provision from Article 14.6

4 TERMS AND CONDITIONS OF SERVICE

4.0 General
4.0.1 Update throughout to reflect changes to legislation, rules, and standards
4.0.2 Incorporate TOAD-related revisions
4.0.3 Update to reflect current interconnection process
4.1 Definitions and Interpretation
4.1.1 Review “AESO Standard Facilities” definition in context of AltaLink contribution policy recommendation
4.1.2 Consider updating contract capacity to relate to physical requirement of customer and physical use of transmission system
4.1.3 Revise “Customer” definition to avoid confusion with EUA definition
4.1.4 Update “Transmission Interconnection Requirements” to refer to current standards and documents
4.1.5 Eliminate unused definitions (including “ratchet level”)
4.1.6 Update definitions to refer to or align with ISO Rules
4.1.7 Consider consolidating all definitions into a single master glossary for all AESO authoritative documents

4.2 Application of Tariff
4.2.1 Clarify that current tariff applies to all customers, with specific exceptions identified (such as original investment policy applying for contract changes that do not require construction)
4.2.2 No other material changes contemplated

4.3 Provision of System Access Service
4.3.1 Consider stating that constraints or remedial action schemes may apply in certain circumstances
4.3.2 No other material changes contemplated
4.3.3 Consider moving some or all system access service provisions requirements to ISO Rules as part of TOAD project

4.4 Customer Interconnection Requirements
4.4.1 Move PSS and AVR requirements to standards under ISO Rules
4.4.2 Consider moving all interconnection requirements to ISO Rules as part of TOAD project

4.5 System Access Application
4.5.1 Update to reflect current interconnection process
4.5.2 Remove requirement of DFO to provide security (to make consistent with Article 6.2(c))
4.5.3 Review assessment fee amounts and utilization
4.5.4 Consider moving some or all system access application process requirements to ISO Rules as part of TOAD project

4.6 Security and Customer Agreements
4.6.1 Update to reflect current interconnection process
4.6.2 Consider moving some or all security and customer agreement requirements to ISO Rules as part of TOAD project
4.7 Metering
4.7.1 Consider moving some or all metering requirements to ISO Rules as part of TOAD project

4.8 Provision of Information by Customers
4.8.1 No material changes contemplated
4.8.2 Consider moving some or all information provision requirements to ISO Rules as part of TOAD project

4.9 Customer Contribution Policy
4.9.1 Discuss contribution policy principles including, as appropriate, those identified in AltaLink contribution policy recommendation
4.9.2 Update investment levels to reflect updated POD cost function
4.9.3 Further clarify contribution requirements when customer chooses interconnection facilities other than the most economic option
4.9.4 Explicitly state that the contribution policy which applies to a project is the one in effect on the date that permit and license is issued by the AUC for the transmission facilities (rather than AltaLink contribution policy recommendation)
4.9.5 Further clarify determination of system and customer-related costs, if possible
4.9.6 Clarify that advancement provisions apply to all system projects, not just radial line
4.9.7 Consider incorporating provisions describing how parties directing benefiting from an intertie pay a share of the costs of that intertie in accordance with Transmission Regulation subsection 27(4)
4.9.8 Revise operations and maintenance charge in Article 9.4 in accordance with outcome of AUC review and variance of Decision 2007-106
4.9.9 Clarify substation fraction will be applied consistently to dual-use sites (and will not allow a deemed fraction of 1.0 at dual-use sites as proposed in the AltaLink contribution policy recommendations)
4.9.10 Calculate maximum local investment using increase in contract capacity since last investment rather than increase at time of request (to remove incentive to “hoard” capacity until investment is needed)
4.9.11 Consider an amortized payment option for customer contribution as discussed in AltaLink contribution policy recommendations
4.9.12 Consider materiality threshold for contribution payments or refunds, perhaps similar to $50,000 adjustment threshold for shared facilities (Article 9.10(c))
4.9.13 Respond to outstanding direction from Decision 2007-106 to conduct further analysis on staged contributions

4.10 Demand Opportunity Service
4.10.1 Consolidate and move sections as appropriate to rate schedules and ISO Rules
4.10.2 Consider moving some or all DOS business practices to ISO Rules as part of TOAD project
4.11 Ancillary Services
4.11.1 No material changes contemplated
4.11.2 Consider clarifying some aspects in guideline or other supporting document

4.12 Under-Frequency Load Shedding
4.12.1 Consolidate and move sections as appropriate to rate schedules and ISO Rules

4.13 Contract Capacity Increases and Allocation
4.13.1 Update to reflect current interconnection process
4.13.2 Move sections as appropriate to ISO Rules

4.14 Reductions or Termination of Contract Capacity
4.14.1 Consider limiting the number of changes permitted within a notice period
4.14.2 Clarify that payment in lieu of notice is calculated based on present value of local system charge only
4.14.3 Explicitly require the payout of remaining RGUCC charges in the event of early termination, in accordance with AUC findings in Decision 2007-106
4.14.4 Consider options to adjust contract capacity to reflect historical metered demand levels (for both DTS and STS customers)
4.14.5 Move regulated generating unit provision in Article 14.6 to the Regulated Generating Units Rates Appendix

4.15 Credit, Billing, and Payment Terms
4.15.1 Explicitly state that interest will not apply to adjustments to statements of account
4.15.2 Review provisions and applicability for late payment charges
4.15.3 Consider moving some or all credit, billing, and payment provisions to ISO Rules as part of TOAD project

4.16 Peak Metered Demand Waiver
4.16.1 No material changes contemplated

4.17 Service Interruptions and Force Majeure
4.17.1 No material changes contemplated

4.18 Limitation of Liability
4.18.1 No material changes contemplated

4.19 Dispute Resolution
4.19.1 No material changes contemplated
4.19.2 Consider consolidating some or all dispute resolution provisions into a single process for all AESO authoritative documents
4.20 Confidentiality
4.20.1 Update confidentiality provisions to align with participant involvement program requirements
4.20.2 Consider consolidating some or all confidentiality provisions into a single requirement for all AESO authoritative documents

4.21 Miscellaneous
4.21.1 No material changes contemplated

5 APPENDICES

5.1 Appendix A: Metering Equipment Information
5.1.1 Move sections as appropriate to metering standards under ISO Rules

5.2 Appendix B: System Access Service Agreement Pro Formas
5.2.1 Update to reflect current interconnection process
5.2.2 Consider adding commissioning agreement pro forma

5.3 Appendix C: Procedure for Foreseeable TMR Service
5.3.1 No material changes contemplated